

Sales Tax Bill, 2019

Summary of key considerations for your organisation

The Zambian Government through the Ministry of Finance has released the Sales Tax Bill, 2019. The Bill will repeal and replace the Value Added Tax (VAT) Act effective 1 July 2019 in line with the Minister of Finance's address to parliament on 29 March 2019.

The new regulations introduce sales tax on the supply of goods and services in Zambia including the importation of services by Zambian resident persons. We summarise in this alert some of the key provisions in the Bill:

Scope of Sales Tax

Sales tax will apply on taxable supplies of goods and services at the following rates:

- Local goods or services - 9%; and
- Imported goods and services - 16%.

The Bill provides that the Minister may by Statutory Instrument (S.I.) prescribe a lower sales tax rate for any particular supply of goods or services. This provision entails that the government is open to considering lower sales tax rates for categories of goods or services.

Sales tax must be accounted for and remitted by the 18th day of every month following the end of the accounting period.

Withholding sales tax agents must account for and remit sales tax by the 16th day of every month following the end of the accounting period. Similar to VAT, the accounting period for sales tax is monthly however taxpayers have the option of applying for alternative accounting periods.

Furthermore and similar to VAT, suppliers will be required to issue tax invoices issued from electronic fiscal devices, approved accounting software or pre-printed tax invoice books.

Taxable Value

The taxable value for goods manufactured in Zambia is the factory cost or selling price of those goods, whichever is higher. The taxable value for any other goods supplied by a taxable supplier in Zambia is the commercial market rate or arm's length rate of the goods.

In respect of goods imported into Zambia, similar to VAT, sales tax will be levied on the sum of the value of the goods, the customs duty payable on the goods as well as the excise duty payable on the imported goods.

The taxable value for services (local or imported service) shall be the price for which the services are provided.



Time of Supply

Sales tax must be accounted for and remitted at the time goods or services are supplied. Similar to VAT, goods are considered to be supplied at the earliest of the following instances:

- The time when goods are removed from the premises of the supplier;
- The time when goods are made available to a customer;
- The time when payment for the goods is received; and
- The time when a tax invoice is issued.

Similar to VAT, services are considered to be supplied at the earliest of the following instances:

- The time payment for services is received;
- The time when tax invoice is issued; and
- The time when the services are rendered.

Exemption from Sales Tax

The Sales Tax Bill provides that the Minister will by S.I. exempt from sales tax the following categories of supplies:

- Capital goods;
- Inputs;
- Designated basic and essential goods or services;
- Designated supplies to privileged persons; and
- Exports.

At this stage, our understanding is that no S.I. has been issued in this respect. It remains unclear whether the S.I. will extend exemptions granted under VAT to sales tax.

Registration

The criteria for registration for sales tax will be prescribed by the Minister through an S.I. We expect that the registration threshold for sales tax will be aligned to the Income Tax (Amendment) Bill, 2019 which will revise the turnover tax threshold from eight hundred thousand kwacha per annum to five hundred thousand kwacha per annum. Accordingly, taxable suppliers with turnover exceeding five hundred thousand kwacha per annum will be required to register for sales tax.

The Minister will also issue an S.I. to exempt certain persons from the requirement to register for sales tax.

Further, the Bill contains a compulsory registration provision that provides the ZRA with the authority to register any supplier who meets the criteria set out by the Minister whether such a supplier has applied for registration or not.

Transitional provisions

Suppliers who are registered for VAT at the point the Sales Tax Act comes into operation will be deemed to be duly registered for Sales Tax.

The Minister will issue an S.I. providing guidance on filing of the final VAT returns. Additionally, the Bill provides that any refunds due to suppliers under VAT will be paid to taxpayers after deducting any taxes due.

Taxpayers will be required to maintain all their financial records under the VAT system as audits or investigations relating to VAT may still be undertaken.



How can BDO help?

BDO can assist your organisation effectively navigate the pitfalls in compliance with various taxes. Get in touch with us if you have any concerns around any of your tax compliance matters.

Lets talk!

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